STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2002-83

July 18, 2002

BANGOR GAS COMPANY, LLC
Proposed Cost of Gas Adjustment
(§4703) for the Summer 2002 Period
Mid-Course Adjustment

EXAMINER'S REPORT

NOTE: This Report does not represent final Commission action. It is the Recommendation of Staff only. Parties may file comments or exceptions by 10:00 a.m., Monday, July 22, 2002, for consideration at the Commission's deliberations on the same date.

I. SUMMARY

We approve Bangor Gas Company LLC's (Bangor Gas or BGC) revised Energy Charge and Past Gas Cost Adjustment[1] to be effective August 1, 2002 as requested in its July 15, 2002 filing. We will explore more thoroughly Bangor Gas's proposed tariff changes regarding the procedures for filing mid-course corrections in a later order.

II. PROCEDURAL HISTORY

On June 28, 2002, in accordance with the Commission's directive in its April 30, 2002 Order in this docket, Bangor Gas filed its proposal for moderating accruals of large past gas cost balances to which, as a small start-up entity, it has been subject. BGC proposed the use of regular, simplified mid-course filings during both summer and winter gas cost periods in the dockets in which the period's gas rate was set, as the mechanism by which it would make necessary adjustments to rates. On July 15, 2002, Bangor Gas filed a proposed Mid-Course Adjustment to its Summer 2002 CGA rates using its proposed method to become effective August 1, 2002. BGC's proposal decreases the Energy Charge from $0.349 to $0.320 per therm and increases the Past Gas Cost Adjustment from ($0.03) to ($0.01) per therm.[2]

On July 16, 2002, the Hearing Examiner issued a procedural order and notice of filing of mid-course rate adjustment. In that procedural order, the Hearing Examiner proposed to bifurcate the case in order to meet the effective date proposed by BGC for the rate change. The rate change would be addressed as quickly as possible with tariff

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[1]Combined, the Energy Charge and the Past Gas Cost Adjustment (PGCA) constitute Bangor Gas's Cost of Gas Adjustment (CGA). We refer to them both individually and combined throughout the remainder of this order.

[2] A smaller Past Gas Cost Adjustment credit effects an increase in the CGA rate.

changes addressed afterward. The Hearing Examiner requested comment on this proposal by July 23, 2002.

The Procedural Order also proposed the issuance of an Examiner's Report on the proposed mid-course rate adjustment by July 29, 2002 with comments due by August 1, 2002 and deliberation on August 5, 2002. Upon further review and after discussing this proposal with both BGC and the OPA, Staff found that it would, in fact, be possible to issue a proposed order for consideration at the Commission's July 22, 2002 deliberative session.

III. DESCRIPTION OF BANGOR GAS'S PROPOSED MID-COURSE RATE ADJUSTMENT

Bangor Gas's proposal calculates its revised rate in a manner identical to that used to calculate its summer rate initially. It has changed the inputs due to two factors, the changes in the cost of gas and in usage.

BGC calculates its Energy Charge using the NYMEX futures prices as an estimate for its commodity costs. The prices for the remaining summer period have decreased from those used in the original filing. As a result, Bangor Gas has substituted the futures prices as of July 12, 2002 for August, September and October, as well as its projected sales, in its calculation of the energy rate. BGC did not make any other changes in its Energy Charge. The proposed decrease is a result of the changes in the commodity market futures prices only.[3]

During the first two months and into the third month of the Summer 2002 CGA period, gas usage was greater than originally estimated. Bangor Gas expects this usage level to continue during the remainder of the summer period. BGC explains that the increase in load is mainly due to under-estimated customer load based upon information provided by commercial customers. In addition, early season sales were stronger due to colder than normal weather conditions in May and the beginning of June.

Higher sales levels resulted in higher than estimated revenues during May and June, reducing the Past Gas Cost account deficit at a faster rate than anticipated. BGC's current Past Gas Cost Adjustment Factor is a credit of ($.03) calculated using the lower load estimates filed in April. BGC states that under current usage levels it will over-reimburse its customers through the past cost of gas adjustment factor. To calculate the new PGCA Factor, Bangor Gas took the balance of over-collection on its books estimated through the end of July and divided that by a revised usage figure for the period August 1 through October 30 to calculate its revised PGCA Factor of ($.01).

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[3] Bangor Gas's unit cost for transportation (pipeline capacity used to transport the commodity to the city gate) does not change with changes in throughput.

IV. ANALYSIS

Bangor Gas's changes to the Energy Charge are a direct result in changes in the market conditions and, therefore, corresponding and timely changes in the rate that customers pay are useful to send the correct price signal.

In reviewing BGC's calculations, we note that it calculated the new Energy Charge by weighting the full six months of prices, using the original estimates for the first three months and the new estimates for the last three months. Given that Bangor Gas is proposing to change its Energy Charge to reduce the chance of under- and over-collections, we suggest that it may be more appropriate to calculate the revised rate using only the months that it would be effective. The Advisory Staff made this calculation and determined that while it does produce a smaller rate by $.01, the overall dollar impact for the remainder of this season ($246) is not sufficient to warrant recalculating and refiling the Company's proposed rate change. As part of the discussions regarding changes in Bangor Gas's tariff on mid-course adjustment procedures, we will require BGC to address whether this method would produce more accurate or equitable results.

Bangor Gas calculates its PGCA utilizing a simple formula of the total over- or under- collection divided by the estimated load. The rate is then applied to all sales made by BGC. When the load is greater than estimated, Bangor Gas will either collect too much from its customers when it has had an under-collection or will, as in this case, refund too much when it has had an over-collection. If the load happened to be less than estimated, the opposite would happen. We find that to allow a potential under-collection in the current period as a result of this situation not in the public interest. Bangor Gas's proposal appears to address the current problem as is appropriate.

V. CONCLUSION

Bangor Gas's proposed Mid-Course Adjustment to its Energy Charge and its Past Gas Cost Adjustment appropriately addresses both the change in market price of the gas commodity and BGC's increased load and the resulting rates are appropriate. Bangor Gas's proposal to place into its tariffs permanent changes as to procedures for future mid-course corrections will be addressed after the Advisory Staff has reviewed the responses to its July 16, 2002 procedural order and should be resolved not later than the start of the next winter CGA period, November 1, 2002.

Accordingly, we

O R D E R

1. That Bangor Gas's proposed revised Cost of Gas Adjustment rate of $.0320 per therm shall take effect for gas consumed on or after August 1, 2002;

2. That Bangor Gas's proposed revised past gas cost adjustment of ($0.01) shall take effect for gas consumed on or after August 1, 2002;

3. That Bangor Gas's Eighth Revised Sheet Nos. 48 and 49 constituting its Cost of Gas Adjustment for the period August 1, 2002 through October 31, 2002, filed on July 15, 2002, are approved; and

4. That Bangor Gas's proposal for further amendments to its tariffs for mid-course correction procedures shall be explored further with completion no later than the date its next CGA change rate would be effective, November 1, 2002.

Respectfully submitted,

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Carol A. MacLennan
Hearing Examiner

And

Lucretia Smith
Finance, Utility Analyst

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.

2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.

3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.